

**SUGARLAND PROFESSIONAL CENTER  
Own vs. Lease Financial Analysis Example  
Medical/Professional Office Comparison**

	OWN	vs.	LEASE
<b>Square Feet</b>	3,000		<b>Rentable Square Feet<sup>1</sup></b> 3,480
<b>Purchase Assumptions</b>			<b>Lease Assumptions</b>
Purchase Price	\$165 /SF (\$495,000)		1st Year NNN Rent per Month at \$19.00 /RSF/Yr (\$5,510)
Tenant Finish Estimate & Soft Costs	\$45 /SF (\$135,000)		
<b>Total Purchase Cost</b>	<b>(\$630,000)</b>		
<b>Ownership Period</b>	10 yrs		<b>Lease Term</b> 10 yrs
<b>Start-Up Costs</b>			<b>Start-Up Costs</b>
Down Payment	10% (\$63,000)		Security Deposit (1 Month Rent) (\$5,510)
<b>Total Start-Up Costs</b>	<b>(\$63,000)</b>		<b>Total Start-Up Costs</b> (\$5,510)
<b>Monthly Costs</b>			<b>Monthly Costs</b>
Avg 10 Yr Principal Pmt	(\$1,434)		
Avg 10 Yr Interest Pmt	(\$2,455)		
<b>Avg 10 Yr P&amp;I Pmt Total<sup>2</sup></b>	<b>(\$3,889)</b>		Avg NNN Rent Payment (\$6,317)
Avg 10 Yr NNN Operating Costs <sup>3</sup>	(\$1,821)		Avg 10 Yr NNN Operating Costs (\$2,112)
<b>Avg Monthly Costs Total</b>	<b>(\$5,710)</b>		<b>Avg Monthly Costs Total</b> (\$8,429)
<b>Effective Avg Rental Rate/SF</b>	\$15.56		
<b>Avg Monthly Cash Savings Own vs Lease</b>	\$2,719		
<b>Avg Annual Cash Savings</b>	\$32,628		
<b>Total Savings at End of Period</b>	\$326,280		
<b>Annual Estimated Tax Benefits</b>			
Real Estate Depreciation <sup>4</sup>	\$25,875		
Interest Deduction	\$29,460		
Operating Expense Deduction	\$21,852		
<b>Annual Estimated Deductions</b>	\$77,187		
Assumed Federal Tax Rate	35%		
<b>Annual Estimated Tax Savings</b>	\$27,015		
<b>Average Annual Appreciation</b>	3.5%		
\$25,868			
<b>Equity at End of Period</b>			<b>Total Benefits at End of Lease</b>
Total Asset Value <sup>5</sup>	\$888,680		Security Deposit Return \$5,510
Mortgage Balance at End of Period	\$338,224		
<b>Equity Total</b>	\$550,456		<b>Total Occupancy Benefit</b> \$5,510
<b>Real Estate Equity at End of Ownership Period</b>	\$550,456		
<b>Effective Occupancy Cost Assuming Sale of Condominium Unit at End of 10 Years</b>	\$0		

<sup>1</sup> Leased Rentable Square Footage shown is based on the square footage for an owned condominium unit plus a common area factor of 16%.

Although it is likely that the lease rate would increase over a ten year period, no escalation in lease rate is assumed.

<sup>2</sup> SBA 504 Financing is used consisting of 60% of the purchase financed at 7% over 20 years and 40% financed at 6.5% over a 20 year term.

Financing up to 100% of the cost of the condominium unit, tenant finish, and medical equipment may also be available to qualified borrowers.

<sup>3</sup> Operating Costs are based on an assumed rate of \$6.50 per square foot per year plus 2.5% annual increases.

<sup>4</sup> Real Estate Depreciation for the building shell is calculated on a straight line basis over 40 years; and over 10 years for leasehold improvements.

<sup>5</sup> The Total Asset Value equals the total of the Purchase Price, Tenant Finish Estimate and Appreciation.

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